

104TH CONGRESS
2D SESSION

S. 1870

To establish a medical education trust fund, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 13, 1996

Mr. MOYNIHAN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To establish a medical education trust fund, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Medical Education Trust Fund Act of 1996”.

6 (b) **TABLE OF CONTENTS.**—The table of contents of
7 this title is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Medical Education Trust Fund.
- Sec. 3. Amendments to medicare program.
- Sec. 4. Amendments to medicaid program.
- Sec. 5. Assessments on insured and self-insured health plans.
- Sec. 6. Medical Education Advisory Commission.
- Sec. 7. Demonstration projects.

1 **SEC. 2. MEDICAL EDUCATION TRUST FUND.**

2 The Social Security Act (42 U.S.C. 300 et seq.) is
3 amended by adding after title XX the following new title:

4 “TITLE XXI—MEDICAL EDUCATION TRUST
5 FUND

6 “TABLE OF CONTENTS OF TITLE

“Sec. 2101. Establishment of Trust Fund.

“Sec. 2102. Payments to medical schools.

“Sec. 2103. Payments to teaching hospitals.

7 **“SEC. 2101. ESTABLISHMENT OF TRUST FUND.**

8 “(a) IN GENERAL.—There is established in the
9 Treasury of the United States a fund to be known as the
10 Medical Education Trust Fund (in this title referred to
11 as the ‘Trust Fund’), consisting of the following accounts:

12 “(1) The Medical School Account.

13 “(2) The Medicare Teaching Hospital Indirect
14 Account.

15 “(3) The Medicare Teaching Hospital Direct
16 Account.

17 “(4) The Non-Medicare Teaching Hospital In-
18 direct Account.

19 “(5) The Non-Medicare Teaching Hospital Di-
20 rect Account.

21 Each such account shall consist of such amounts as are
22 allocated and transferred to such account under this sec-
23 tion, sections 1876(a)(7), 1886(j) and 1931, and section

1 4503 of the Internal Revenue Code of 1986. Amounts in
2 the accounts of the Trust Fund shall remain available
3 until expended.

4 “(b) EXPENDITURES FROM TRUST FUND.—
5 Amounts in the accounts of the Trust Fund are available
6 to the Secretary for making payments under sections 2102
7 and 2103.

8 “(c) INVESTMENT.—

9 “(1) IN GENERAL.—The Secretary of the
10 Treasury shall invest amounts in the accounts of the
11 Trust Fund which the Secretary determines are not
12 required to meet current withdrawals from the Trust
13 Fund. Such investments may be made only in inter-
14 est-bearing obligations of the United States. For
15 such purpose, such obligations may be acquired on
16 original issue at the issue price, or by purchase of
17 outstanding obligations at the market price.

18 “(2) SALE OF OBLIGATIONS.—The Secretary of
19 the Treasury may sell at market price any obligation
20 acquired under paragraph (1).

21 “(3) AVAILABILITY OF INCOME.—Any interest
22 derived from obligations held in each such account,
23 and proceeds from any sale or redemption of such
24 obligations, are hereby appropriated to such account.

1 “(d) MONETARY GIFTS TO TRUST FUND.—There are
 2 appropriated to the Trust Fund such amounts as may be
 3 unconditionally donated to the Federal Government as
 4 gifts to the Trust Fund. Such amounts shall be allocated
 5 and transferred to the accounts described in subsection
 6 (a) in the same proportion as the amounts in each of the
 7 accounts bears to the total amount in all the accounts of
 8 the Trust Fund.

9 **“SEC. 2102. PAYMENTS TO MEDICAL SCHOOLS.**

10 “(a) FEDERAL PAYMENTS TO MEDICAL SCHOOLS
 11 FOR CERTAIN COSTS.—

12 “(1) IN GENERAL.—In the case of a medical
 13 school that in accordance with paragraph (2) sub-
 14 mits to the Secretary an application for fiscal year
 15 1997 or any subsequent fiscal year, the Secretary
 16 shall make payments for such year to the medical
 17 school for the purpose specified in paragraph (3).

18 The Secretary shall make such payments from the
 19 Medical School Account in an amount determined in
 20 accordance with subsection (b), and may administer
 21 the payments as a contract, grant, or cooperative
 22 agreement.

23 “(2) APPLICATION FOR PAYMENTS.—For pur-
 24 poses of paragraph (1), an application for payments

1 under such paragraph for a fiscal year is in accord-
2 ance with this paragraph if—

3 “(A) the medical school involved submits
4 the application not later than the date specified
5 by the Secretary; and

6 “(B) the application is in such form, is
7 made in such manner, and contains such agree-
8 ments, assurances, and information as the Sec-
9 retary determines to be necessary to carry out
10 this section.

11 “(3) PURPOSE OF PAYMENTS.—The purpose of
12 payments under paragraph (1) is to assist medical
13 schools in maintaining and developing quality edu-
14 cational programs in an increasingly competitive
15 health care system.

16 “(b) AVAILABILITY OF TRUST FUND FOR PAYMENTS;
17 ANNUAL AMOUNT OF PAYMENTS.—

18 “(1) AVAILABILITY OF TRUST FUND FOR PAY-
19 MENTS.—The following amounts shall be available
20 for a fiscal year for making payments under sub-
21 section (a) from the amount allocated and trans-
22 ferred to the Medical School Account under sections
23 1876(a)(7), 1886(j), 1931, 2101(c)(3) and (d), and
24 section 4503 of the Internal Revenue Code of 1986:

1 “(A) In the case of fiscal year 1997,
2 \$200,000,000.

3 “(B) In the case of fiscal year 1998,
4 \$300,000,000.

5 “(C) In the case of fiscal year 1999,
6 \$400,000,000.

7 “(D) In the case of fiscal year 2000,
8 \$500,000,000.

9 “(E) In the case of fiscal year 2001,
10 \$600,000,000.

11 “(F) In the case of each subsequent fiscal
12 year, the amount specified in this paragraph in
13 the previous fiscal year updated through the
14 midpoint of the year by the estimated percent-
15 age change in the general health care inflation
16 factor (as defined in subsection (d)) during the
17 12-month period ending at that midpoint, with
18 appropriate adjustments to reflect previous
19 underestimations or overestimations under this
20 subparagraph in the projected health care infla-
21 tion factor.

22 “(2) AMOUNT OF PAYMENTS FOR MEDICAL
23 SCHOOLS.—

24 “(A) IN GENERAL.—Subject to the annual
25 amount available under paragraph (1) for a fis-

1 cal year, the amount of payments required
 2 under subsection (a) to be made to a medical
 3 school that submits to the Secretary an applica-
 4 tion for such year in accordance with subsection
 5 (a)(2) is an amount equal to an amount deter-
 6 mined by the Secretary in accordance with sub-
 7 paragraph (B).

8 “(B) DEVELOPMENT OF FORMULA.—The
 9 Secretary shall develop a formula for allocation
 10 of funds to medical schools under this section
 11 consistent with the purpose described in sub-
 12 section (a)(3).

13 “(c) MEDICAL SCHOOL DEFINED.—For purposes of
 14 this section, the term ‘medical school’ means a school of
 15 medicine (as defined in section 799 of the Public Health
 16 Service Act) or a school of osteopathic medicine (as de-
 17 fined in such section).

18 “(d) GENERAL HEALTH CARE INFLATION FAC-
 19 TOR.—The term ‘general health care inflation factor’
 20 means the consumer price index for medical services as
 21 determined by the Bureau of Labor Statistics.

22 **“SEC. 2103. PAYMENTS TO TEACHING HOSPITALS.**

23 “(a) FORMULA PAYMENTS TO ELIGIBLE ENTI-
 24 TIES.—

1 “(1) IN GENERAL.—In the case of any fiscal
2 year beginning after September 30, 1996, the Sec-
3 retary shall make payments to each eligible entity
4 that, in accordance with paragraph (2), submits to
5 the Secretary an application for such fiscal year.
6 Such payments shall be made from the Trust Fund,
7 and the total of the payments to the eligible entity
8 for the fiscal year shall equal the sum of the
9 amounts determined under subsections (b), (c), (d),
10 and (e).

11 “(2) APPLICATION.—For purposes of para-
12 graph (1), an application shall contain such informa-
13 tion as may be necessary for the Secretary to make
14 payments under such paragraph to an eligible entity
15 during a fiscal year. An application shall be treated
16 as submitted in accordance with this paragraph if it
17 is submitted not later than the date specified by the
18 Secretary, and is made in such form and manner as
19 the Secretary may require.

20 “(3) PERIODIC PAYMENTS.—Payments under
21 paragraph (1) to an eligible entity for a fiscal year
22 shall be made periodically, at such intervals and in
23 such amounts as the Secretary determines to be ap-
24 propriate (subject to applicable Federal law regard-
25 ing Federal payments).

1 “(4) ADMINISTRATOR OF PROGRAMS.—The Sec-
 2 retary shall carry out responsibility under this title
 3 by acting through the Administrator of the Health
 4 Care Financing Administration.

5 “(5) ELIGIBLE ENTITY.—For purposes of this
 6 title, the term ‘eligible entity’, with respect to any
 7 fiscal year, means—

8 “(A) for payment under subsections (b)
 9 and (c), an entity which would be eligible to re-
 10 ceive payments for such fiscal year under—

11 “(i) section 1886(d)(5)(B), if such
 12 payments had not been terminated for dis-
 13 charges occurring after September 30,
 14 1996;

15 “(ii) section 1886(h), if such pay-
 16 ments had not been terminated for cost re-
 17 porting periods beginning after September
 18 30, 1996; or

19 “(iii) both sections; or

20 “(B) for payment under subsections (d)
 21 and (e)—

22 “(i) an entity which meets the re-
 23 quirement of subparagraph (A); or

1 “(ii) an entity which the Secretary de-
 2 termines should be considered an eligible
 3 entity.

4 “(b) DETERMINATION OF AMOUNT FROM MEDICARE
 5 TEACHING HOSPITAL INDIRECT ACCOUNT.—

6 “(1) IN GENERAL.—The amount determined for
 7 an eligible entity for a fiscal year under this sub-
 8 section is the amount equal to the applicable per-
 9 centage of the total amount allocated and trans-
 10 ferred to the Medicare Teaching Hospital Indirect
 11 Account under sections 1876(a)(7) and 1886(j)(1),
 12 and subsections (c)(3) and (d) of section 2101 for
 13 such fiscal year.

14 “(2) APPLICABLE PERCENTAGE.—For purposes
 15 of paragraph (1), the applicable percentage for any
 16 fiscal year is equal to the percentage of the total
 17 payments which would have been made to the eligi-
 18 ble entity in such fiscal year under section
 19 1886(d)(5)(B) if—

20 “(A) such payments had not been termi-
 21 nated for discharges occurring after September
 22 30, 1996; and

23 “(B) such payments included payments for
 24 individuals enrolled in a plan under section
 25 1876, except that for fiscal years 1997, 1998,

1 and 1999, only the applicable percentage (as
 2 defined in section 1876(a)(7)(B)) of such pay-
 3 ments shall be taken into account.

4 “(c) DETERMINATION OF AMOUNT FROM MEDICARE
 5 TEACHING HOSPITAL DIRECT ACCOUNT.—

6 “(1) IN GENERAL.—The amount determined for
 7 an eligible entity for a fiscal year under this sub-
 8 section is the amount equal to the applicable per-
 9 centage of the total amount allocated and trans-
 10 ferred to the Medicare Teaching Hospital Direct Ac-
 11 count under sections 1876(a)(7) and 1886(j)(2), and
 12 subsections (c)(3) and (d) of section 2101 for such
 13 fiscal year.

14 “(2) APPLICABLE PERCENTAGE.—For purposes
 15 of paragraph (1), the applicable percentage for any
 16 fiscal year is equal to the percentage of the total
 17 payments which would have been made to the eligi-
 18 ble entity in such fiscal year under section 1886(h)
 19 if—

20 “(A) such payments had not been termi-
 21 nated for cost reporting periods beginning after
 22 September 30, 1996; and

23 “(B) such payments included payments for
 24 individuals enrolled in a plan under section
 25 1876, except that for fiscal years 1997, 1998,

1 and 1999, only the applicable percentage (as
 2 defined in section 1876(a)(7)(B)) of such pay-
 3 ments shall be taken into account.

4 “(d) DETERMINATION OF AMOUNT FROM NON-MED-
 5 ICARE TEACHING HOSPITAL INDIRECT ACCOUNT.—

6 “(1) IN GENERAL.—The amount determined for
 7 an eligible entity for a fiscal year under this sub-
 8 section is the amount equal to the applicable per-
 9 centage of the total amount allocated and trans-
 10 ferred to the Non-Medicare Teaching Hospital Indi-
 11 rect Account for such fiscal year under section 1931,
 12 subsections (c)(3) and (d) of section 2101, and sec-
 13 tion 4503 of the Internal Revenue Code of 1986.

14 “(2) APPLICABLE PERCENTAGE.—For purposes
 15 of paragraph (1), the applicable percentage for any
 16 fiscal year for an eligible entity is equal to the per-
 17 centage of the total payments which, as determined
 18 by the Secretary, would have been made in such fis-
 19 cal year under section 1886(d)(5)(B) if—

20 “(A) such payments had not been termi-
 21 nated for discharges occurring after September
 22 30, 1996; and

23 “(B) non-medicare patients were taken
 24 into account in lieu of medicare patients.

1 “(e) DETERMINATION OF AMOUNT FROM NON-MED-
2 ICARE TEACHING HOSPITAL DIRECT ACCOUNT.—

3 “(1) IN GENERAL.—The amount determined for
4 an eligible entity for a fiscal year under this sub-
5 section is the amount equal to the applicable per-
6 centage of the total amount allocated and trans-
7 ferred to the Non-Medicare Teaching Hospital Di-
8 rect Account for such fiscal year under section 1931,
9 subsections (c)(3) and (d) of section 2101, and sec-
10 tion 4503 of the Internal Revenue Code of 1986.

11 “(2) APPLICABLE PERCENTAGE.—For purposes
12 of paragraph (1), the applicable percentage for any
13 fiscal year for an eligible entity is equal to the per-
14 centage of the total payments which, as determined
15 by the Secretary, would have been made in such fis-
16 cal year under section 1886(h) if—

17 “(A) such payments had not been termi-
18 nated for cost reporting periods beginning after
19 September 30, 1996; and

20 “(B) non-medicare patients were taken
21 into account in lieu of medicare patients.”.

22 **SEC. 3. AMENDMENTS TO MEDICARE PROGRAM.**

23 (a) IN GENERAL.—Section 1886 of the Social Secu-
24 rity Act (42 U.S.C. 1395ww) is amended—

(1) in subsection (d)(5)(B), in the matter preceding clause (i), by striking “The Secretary shall provide” and inserting the following: “For discharges occurring before October 1, 1996, the Secretary shall provide”;

(2) in subsection (h)—

(A) in paragraph (1), in the first sentence, by striking “the Secretary shall provide” and inserting “the Secretary shall, subject to paragraph (6), provide”; and

(B) by adding at the end the following new paragraph:

“(6) LIMITATION.—

“(A) IN GENERAL.—The authority to make payments under this subsection shall not apply with respect to—

“(i) cost reporting periods beginning after September 30, 1996; and

“(ii) any portion of a cost reporting period beginning on or before such date which occurs after such date.

“(B) RULE OF CONSTRUCTION.—This paragraph may not be construed as authorizing any payment under section 1861(v) with respect to graduate medical education.”; and

1 (3) by adding at the end the following new sub-
2 section:

3 “(j) TRANSFERS TO MEDICAL EDUCATION TRUST
4 FUND.—

5 “(1) INDIRECT COSTS OF MEDICAL EDU-
6 CATION.—

7 “(A) TRANSFER.—

8 “(i) IN GENERAL.—From the Federal
9 Hospital Insurance Trust Fund, the Sec-
10 retary shall, for fiscal year 1997 and each
11 subsequent fiscal year, transfer to the
12 Medical Education Trust Fund an amount
13 equal to the amount estimated by the Sec-
14 retary under subparagraph (B).

15 “(ii) ALLOCATION.—Of the amount
16 transferred under clause (i)—

17 “(I) there shall be allocated and
18 transferred to the Medical School Ac-
19 count an amount which bears the
20 same ratio to the total amount avail-
21 able under section 2102(b)(1) for the
22 fiscal year (reduced by the balance in
23 such account at the end of the preced-
24 ing fiscal year) as the amount trans-
25 ferred under clause (i) bears to the

total amounts transferred to the Medical Education Trust Fund under title XXI (excluding amounts transferred under subsections (c)(3) and (d) of section 2101) for such fiscal year; and

“(II) the remainder shall be allocated and transferred to the Medicare Teaching Hospital Indirect Account.

“(B) DETERMINATION OF AMOUNTS.—The Secretary shall make an estimate for each fiscal year involved of the nationwide total of the amounts that would have been paid under subsection (d)(5)(B) to hospitals during the fiscal year if such payments had not been terminated for discharges occurring after September 30, 1996.

“(2) DIRECT COSTS OF MEDICAL EDUCATION.—

“(A) TRANSFER.—

“(i) IN GENERAL.—From the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund, the Secretary shall, for fiscal year 1997 and each subsequent fiscal year, transfer to the Medical Education Trust Fund an amount equal to the amount esti-

1 mated by the Secretary under subpara-
2 graph (B).

3 “(ii) ALLOCATION.—Of the amount
4 transferred under clause (i)—

5 “(I) there shall be allocated and
6 transferred to the Medical School Ac-
7 count an amount which bears the
8 same ratio to the total amount avail-
9 able under section 2102(b)(1) for the
10 fiscal year (reduced by the balance in
11 such account at the end of the preced-
12 ing fiscal year) as the amount trans-
13 ferred under clause (i) bears to the
14 total amounts transferred to the Med-
15 ical Education Trust Fund under title
16 XXI (excluding amounts transferred
17 under subsections (c)(3) and (d) of
18 section 2101) for such fiscal year; and

19 “(II) the remainder shall be allo-
20 cated and transferred to the Medicare
21 Teaching Hospital Direct Account.

22 “(B) DETERMINATION OF AMOUNTS.—For
23 each hospital, the Secretary shall make an esti-
24 mate for the fiscal year involved of the amount
25 that would have been paid under subsection (h)

to the hospital during the fiscal year if such payments had not been terminated for cost reporting periods beginning after September 30, 1996.

“(C) ALLOCATION BETWEEN FUNDS.—In providing for a transfer under subparagraph (A) for a fiscal year, the Secretary shall provide for an allocation of the amounts involved between part A and part B (and the trust funds established under the respective parts) as reasonably reflects the proportion of direct graduate medical education costs of hospitals associated with the provision of services under each respective part.”.

(b) MEDICARE HMO’S.—Section 1876(a) of the Social Security Act (42 U.S.C. 1395mm(a)) is amended by inserting after paragraph (6) the following new paragraph:

“(7)(A) In determining the adjusted average per capita cost under paragraph (4) for fiscal years after 1996, the Secretary shall not take into account the applicable percentage of costs under sections 1886(d)(5)(B) (indirect costs of medical education) and 1886(h) (direct graduate medical education costs).

“(B) For purposes of subparagraph (A), the applicable percentage is—

1 “(i) for fiscal year 1997, 25 percent;
2 “(ii) for fiscal year 1998, 50 percent;
3 “(iii) for fiscal year 1999, 75 percent; and
4 “(iv) for fiscal year 2000 and each subsequent
5 fiscal year, 100 percent.

6 “(C)(i) There is appropriated and transferred to the
7 Medical Education Trust Fund each fiscal year an amount
8 equal to the aggregate amounts not taken into account
9 under paragraph (4) by reason of subparagraph (A).

10 “(ii) Of the amounts transferred under clause (i)—

11 “(I) there shall be allocated and transferred to
12 the Medical School Account an amount which bears
13 the same ratio to the total amount available under
14 section 2102(b)(1) for the fiscal year (reduced by
15 the balance in such account at the end of the pre-
16 ceding fiscal year) as the amount transferred under
17 clause (i) bears to the total amounts transferred to
18 the Medical Education Trust Fund under section
19 2101 (excluding amounts transferred under sub-
20 sections (c)(3) and (d) of such section) for such fis-
21 cal year; and

22 “(II) the remainder shall be allocated and
23 transferred to the Medicare Teaching Hospital Indi-
24 rect Account under such section and the Medicare
25 Teaching Hospital Direct Account under such sec-

1 tion in the same proportion as the amounts attrib-
 2 utable to the costs under sections 1886(d)(5)(B) and
 3 1886(h) were of the amounts transferred under
 4 clause (i).

5 “(iii) The Secretary shall make payments under
 6 clause (i) from the Federal Hospital Insurance Trust
 7 Fund and the Federal Supplementary Medical Insurance
 8 Trust Fund, in the same manner as the Secretary deter-
 9 mines under section 1886(j).”.

10 **SEC. 4. AMENDMENTS TO MEDICAID PROGRAM.**

11 (a) IN GENERAL.—Title XIX of the Social Security
 12 Act (42 U.S.C. 1396 et seq.) is amended—

13 (1) by redesignating section 1931 as section
 14 1932; and

15 (2) by inserting after section 1930, the follow-
 16 ing new section:

17 “TRANSFER OF FUNDS TO ACCOUNTS

18 “SEC. 1931. (a) TRANSFER OF FUNDS.—

19 “(1) IN GENERAL.—For fiscal year 1997 and
 20 each subsequent fiscal year, the Secretary shall
 21 transfer to the Medical Education Trust Fund an
 22 amount equal to the amount determined under sub-
 23 section (b).

24 “(2) ALLOCATION.—Of the amount transferred
 25 under paragraph (1)—

“(A) there shall be allocated and transferred to the Medical School Account an amount which bears the same ratio to the total amount available under section 2102(b)(1) for the fiscal year (reduced by the balance in such account at the end of the preceding fiscal year) as the amount transferred under paragraph (1) bears to the total amounts transferred to the Medical Education Trust Fund under title XXI (excluding amounts transferred under subsections (c)(3) and (d) of section 2101) for such fiscal year; and

“(B) the remainder shall be allocated and transferred to the Non-Medicare Teaching Hospital Indirect Account and the Non-Medicare Teaching Hospital Direct Account, in the same proportion as the amounts transferred to each account under section 1886(j) relate to the total amounts transferred under such section for such fiscal year.

“(b) AMOUNT DETERMINED.—

“(1) OUTLAYS FOR ACUTE MEDICAL SERVICES DURING PRECEDING FISCAL YEAR.—Beginning with fiscal year 1997, the Secretary shall determine 5 percent of the total amount of Federal outlays made

1 under this title for acute medical services, as defined
2 in paragraph (2), for the preceding fiscal year.

3 “(2) ACUTE MEDICAL SERVICES DEFINED.—
4 The term ‘acute medical services’ means items and
5 services described in section 1905(a) other than the
6 following:

7 “(A) Nursing facility services (as defined
8 in section 1905(f)).

9 “(B) Intermediate care facility for the
10 mentally retarded services (as defined in section
11 1905(d)).

12 “(C) Personal care services (as described
13 in section 1905(a)(24)).

14 “(D) Private duty nursing services (as re-
15 ferred to in section 1905(a)(8)).

16 “(E) Home or community-based services
17 furnished under a waiver granted under sub-
18 section (c), (d), or (e) of section 1915.

19 “(F) Home and community care furnished
20 to functionally disabled elderly individuals
21 under section 1929.

22 “(G) Community supported living arrange-
23 ments services under section 1930.

24 “(H) Case-management services (as de-
25 scribed in section 1915(g)(2)).

1 “(I) Home health care services (as referred
 2 to in section 1905(a)(7)), clinic services, and re-
 3 habilitation services that are furnished to an in-
 4 dividual who has a condition or disability that
 5 qualifies the individual to receive any of the
 6 services described in a previous subparagraph.

7 “(J) Services furnished in an institution
 8 for mental diseases (as defined in section
 9 1905(i)).

10 “(c) ENTITLEMENT.—This section constitutes budget
 11 authority in advance of appropriations Acts and rep-
 12 resents the obligation of the Federal Government to pro-
 13 vide for the payment to the Non-Medicare Teaching Hos-
 14 pital Indirect Account, the Non-Medicare Teaching Hos-
 15 pital Direct Account, and the Medical School Account of
 16 amounts determined in accordance with subsections (a)
 17 and (b).”.

18 (b) EFFECTIVE DATE.—The amendment made by
 19 subsection (a) shall be effective on and after October 1,
 20 1996.

21 **SEC. 5. ASSESSMENTS ON INSURED AND SELF-INSURED**
 22 **HEALTH PLANS.**

23 (a) GENERAL RULE.—Subtitle D of the Internal Rev-
 24 enue Code of 1986 (relating to miscellaneous excise taxes)

1 is amended by adding after chapter 36 the following new
2 chapter:

3 **“CHAPTER 37—HEALTH RELATED**
4 **ASSESSMENTS**

“SUBCHAPTER A. Insured and self-insured health plans.

5 **“Subchapter A—Insured and Self-Insured**
6 **Health Plans**

“Sec. 4501. Health insurance and health-related administrative services.

“Sec. 4502. Self-insured health plans.

“Sec. 4503. Transfer to accounts.

“Sec. 4504. Definitions and special rules.

7 **“SEC. 4501. HEALTH INSURANCE AND HEALTH-RELATED**
8 **ADMINISTRATIVE SERVICES.**

9 “(a) IMPOSITION OF TAX.—There is hereby im-
10 posed—

11 “(1) on each taxable health insurance policy, a
12 tax equal to 1.5 percent of the premiums received
13 under such policy, and

14 “(2) on each amount received for health-related
15 administrative services, a tax equal to 1.5 percent of
16 the amount so received.

17 “(b) LIABILITY FOR TAX.—

18 “(1) HEALTH INSURANCE.—The tax imposed
19 by subsection (a)(1) shall be paid by the issuer of
20 the policy.

21 “(2) HEALTH-RELATED ADMINISTRATIVE SERV-
22 ICES.—The tax imposed by subsection (a)(2) shall

1 be paid by the person providing the health-related
2 administrative services.

3 “(c) TAXABLE HEALTH INSURANCE POLICY.—For
4 purposes of this section—

5 “(1) IN GENERAL.—Except as otherwise pro-
6 vided in this section, the term ‘taxable health insur-
7 ance policy’ means any insurance policy providing
8 accident or health insurance with respect to individ-
9 uals residing in the United States.

10 “(2) EXEMPTION OF CERTAIN POLICIES.—The
11 term ‘taxable health insurance policy’ does not in-
12 clude any insurance policy if substantially all of the
13 coverage provided under such policy relates to—

14 “(A) liabilities incurred under workers’
15 compensation laws,

16 “(B) tort liabilities,

17 “(C) liabilities relating to ownership or use
18 of property,

19 “(D) credit insurance, or

20 “(E) such other similar liabilities as the
21 Secretary may specify by regulations.

22 “(3) SPECIAL RULE WHERE POLICY PROVIDES
23 OTHER COVERAGE.—In the case of any taxable
24 health insurance policy under which amounts are
25 payable other than for accident or health coverage,

1 in determining the amount of the tax imposed by
 2 subsection (a)(1) on any premium paid under such
 3 policy, there shall be excluded the amount of the
 4 charge for the nonaccident or nonhealth coverage
 5 if—

6 “(A) the charge for such nonaccident or
 7 nonhealth coverage is either separately stated in
 8 the policy, or furnished to the policyholder in a
 9 separate statement, and

10 “(B) such charge is reasonable in relation
 11 to the total charges under the policy.

12 In any other case, the entire amount of the premium
 13 paid under such policy shall be subject to tax under
 14 subsection (a)(1).

15 “(4) TREATMENT OF PREPAID HEALTH COV-
 16 ERAGE ARRANGEMENTS.—

17 “(A) IN GENERAL.—In the case of any ar-
 18 rangement described in subparagraph (B)—

19 “(i) such arrangement shall be treated
 20 as a taxable health insurance policy,

21 “(ii) the payments or premiums re-
 22 ferred to in subparagraph (B)(i) shall be
 23 treated as premiums received for a taxable
 24 health insurance policy, and

1 “(iii) the person referred to in sub-
 2 paragraph (B)(i) shall be treated as the is-
 3 suer.

4 “(B) DESCRIPTION OF ARRANGEMENTS.—
 5 An arrangement is described in this subpara-
 6 graph if under such arrangement—

7 “(i) fixed payments or premiums are
 8 received as consideration for any person’s
 9 agreement to provide or arrange for the
 10 provision of accident or health coverage to
 11 residents of the United States, regardless
 12 of how such coverage is provided or ar-
 13 ranged to be provided, and

14 “(ii) substantially all of the risks of
 15 the rates of utilization of services is as-
 16 sumed by such person or the provider of
 17 such services.

18 “(d) HEALTH-RELATED ADMINISTRATIVE SERV-
 19 ICES.—For purposes of this section, the term ‘health-re-
 20 lated administrative services’ means—

21 “(1) the processing of claims or performance of
 22 other administrative services in connection with acci-
 23 dent or health coverage under a taxable health in-
 24 surance policy if the charge for such services is not
 25 included in the premiums under such policy, and

1 “(2) processing claims, arranging for provision
 2 of accident or health coverage, or performing other
 3 administrative services in connection with an appli-
 4 cable self-insured health plan (as defined in section
 5 4502(c)) established or maintained by a person
 6 other than the person performing the services.

7 For purposes of paragraph (1), rules similar to the rules
 8 of subsection (c)(3) shall apply.

9 **“SEC. 4502. SELF-INSURED HEALTH PLANS.**

10 “(a) IMPOSITION OF TAX.—In the case of any appli-
 11 cable self-insured health plan, there is hereby imposed a
 12 tax for each month equal to 1.5 percent of the sum of—

13 “(1) the accident or health coverage expendi-
 14 tures for such month under such plan, and

15 “(2) the administrative expenditures for such
 16 month under such plan to the extent such expendi-
 17 tures are not subject to tax under section 4501.

18 In determining the amount of expenditures under para-
 19 graph (2), rules similar to the rules of subsection (d)(3)
 20 apply.

21 “(b) LIABILITY FOR TAX.—

22 “(1) IN GENERAL.—The tax imposed by sub-
 23 section (a) shall be paid by the plan sponsor.

24 “(2) PLAN SPONSOR.—For purposes of para-
 25 graph (1), the term ‘plan sponsor’ means—

1 “(A) the employer in the case of a plan es-
 2 tablished or maintained by a single employer,

3 “(B) the employee organization in the case
 4 of a plan established or maintained by an em-
 5 ployee organization, or

6 “(C) in the case of—

7 “(i) a plan established or maintained
 8 by 2 or more employers or jointly by 1 or
 9 more employers and 1 or more employee
 10 organizations,

11 “(ii) a voluntary employees’ bene-
 12 ficiary association under section 501(c)(9),
 13 or

14 “(iii) any other association plan,
 15 the association, committee, joint board of trust-
 16 ees, or other similar group of representatives of
 17 the parties who establish or maintain the plan.

18 “(c) APPLICABLE SELF-INSURED HEALTH PLAN.—
 19 For purposes of this section, the term ‘applicable self-in-
 20 sured health plan’ means any plan for providing accident
 21 or health coverage if any portion of such coverage is pro-
 22 vided other than through an insurance policy.

23 “(d) ACCIDENT OR HEALTH COVERAGE EXPENDI-
 24 TURES.—For purposes of this section—

1 “(1) IN GENERAL.—The accident or health cov-
2 erage expenditures of any applicable self-insured
3 health plan for any month are the aggregate expend-
4 itures paid in such month for accident or health cov-
5 erage provided under such plan to the extent such
6 expenditures are not subject to tax under section
7 4501.

8 “(2) TREATMENT OF REIMBURSEMENTS.—In
9 determining accident or health coverage expenditures
10 during any month of any applicable self-insured
11 health plan, reimbursements (by insurance or other-
12 wise) received during such month shall be taken into
13 account as a reduction in accident or health coverage
14 expenditures.

15 “(3) CERTAIN EXPENDITURES DISREGARDED.—
16 Paragraph (1) shall not apply to any expenditure for
17 the acquisition or improvement of land or for the ac-
18 quisition or improvement of any property to be used
19 in connection with the provision of accident or
20 health coverage which is subject to the allowance
21 under section 167, except that, for purposes of para-
22 graph (1), allowances under section 167 shall be
23 considered as expenditures.

1 **“SEC. 4503. TRANSFER TO ACCOUNTS.**

2 “For fiscal year 1997 and each subsequent fiscal
3 year, there are hereby appropriated and transferred to the
4 Medical Education Trust Fund amounts equivalent to
5 taxes received in the Treasury under sections 4501 and
6 4502, of which—

7 “(1) there shall be allocated and transferred to
8 the Medical School Account an amount which bears
9 the same ratio to the total amount available under
10 section 2102(b)(1) for the fiscal year (reduced by
11 the balance in such account at the end of the pre-
12 ceding fiscal year) as the amount transferred to the
13 Medical Education Trust Fund under title XXI of
14 the Social Security Act under this section bears to
15 the total amounts transferred to such Trust Fund
16 (excluding amounts transferred under subsections
17 (c)(3) and (d) of section 2101 of such Act) for such
18 fiscal year; and

19 “(2) the remainder shall be allocated and trans-
20 ferred to the Non-Medicare Teaching Hospital Indi-
21 rect Account and the Non-Medicare Teaching Hos-
22 pital Direct Account, in the same proportion as the
23 amounts transferred to such account under section
24 1886(j) relate to the total amounts transferred
25 under such section for such fiscal year.

1 Such amounts shall be transferred in the same manner
 2 as under section 9601.

3 **“SEC. 4504. DEFINITIONS AND SPECIAL RULES.**

4 “(a) DEFINITIONS.—For purposes of this sub-
 5 chapter—

6 “(1) ACCIDENT OR HEALTH COVERAGE.—The
 7 term ‘accident or health coverage’ means any cov-
 8 erage which, if provided by an insurance policy,
 9 would cause such policy to be a taxable health insur-
 10 ance policy (as defined in section 4501(c)).

11 “(2) INSURANCE POLICY.—The term ‘insurance
 12 policy’ means any policy or other instrument where-
 13 by a contract of insurance is issued, renewed, or ex-
 14 tended.

15 “(3) PREMIUM.—The term ‘premium’ means
 16 the gross amount of premiums and other consider-
 17 ation (including advance premiums, deposits, fees,
 18 and assessments) arising from policies issued by a
 19 person acting as the primary insurer, adjusted for
 20 any return or additional premiums paid as a result
 21 of endorsements, cancellations, audits, or retrospec-
 22 tive rating. Amounts returned where the amount is
 23 not fixed in the contract but depends on the experi-
 24 ence of the insurer or the discretion of management
 25 shall not be included in return premiums.

1 “(4) UNITED STATES.—The term ‘United
2 States’ includes any possession of the United States.

3 “(b) TREATMENT OF GOVERNMENTAL ENTITIES.—

4 “(1) IN GENERAL.—For purposes of this sub-
5 chapter—

6 “(A) the term ‘person’ includes any gov-
7 ernmental entity, and

8 “(B) notwithstanding any other law or rule
9 of law, governmental entities shall not be ex-
10 empt from the taxes imposed by this subchapter
11 except as provided in paragraph (2).

12 “(2) EXEMPT GOVERNMENTAL PROGRAMS.—In
13 the case of an exempt governmental program—

14 “(A) no tax shall be imposed under section
15 4501 on any premium received pursuant to
16 such program or on any amount received for
17 health-related administrative services pursuant
18 to such program, and

19 “(B) no tax shall be imposed under section
20 4502 on any expenditures pursuant to such
21 program.

22 “(3) EXEMPT GOVERNMENTAL PROGRAM.—For
23 purposes of this subchapter, the term ‘exempt gov-
24 ernmental program’ means—

1 “(A) the insurance programs established
2 by parts A and B of title XVIII of the Social
3 Security Act,

4 “(B) the medical assistance program es-
5 tablished by title XIX of the Social Security
6 Act,

7 “(C) any program established by Federal
8 law for providing medical care (other than
9 through insurance policies) to individuals (or
10 the spouses and dependents thereof) by reason
11 of such individuals being—

12 “(i) members of the Armed Forces of
13 the United States, or

14 “(ii) veterans, and

15 “(D) any program established by Federal
16 law for providing medical care (other than
17 through insurance policies) to members of In-
18 dian tribes (as defined in section 4(d) of the In-
19 dian Health Care Improvement Act).

20 “(c) NO COVER OVER TO POSSESSIONS.—Notwith-
21 standing any other provision of law, no amount collected
22 under this subchapter shall be covered over to any posses-
23 sion of the United States.”.

24 (b) CLERICAL AMENDMENT.—The table of chapters
25 for subtitle D of the Internal Revenue Code of 1986 is

1 amended by inserting after the item relating to chapter
 2 36 the following new item:

“CHAPTER 37. Health related assessments.”

3 (c) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply with respect to premiums received,
 5 and expenses incurred, with respect to coverage for peri-
 6 ods after September 30, 1996.

7 **SEC. 6. MEDICAL EDUCATION ADVISORY COMMISSION.**

8 (a) ESTABLISHMENT.—There is hereby established
 9 an advisory commission to be known as the Medical Edu-
 10 cation Advisory Commission (in this section referred to as
 11 the “Advisory Commission”).

12 (b) DUTIES.—

13 (1) IN GENERAL.—The Advisory Commission
 14 shall—

15 (A) conduct a thorough study of all mat-
 16 ters relating to—

17 (i) the operation of the Medical Edu-
 18 cation Trust Fund established under sec-
 19 tion 2;

20 (ii) alternative and additional sources
 21 of graduate medical education funding;

22 (iii) alternative methodologies for
 23 compensating teaching hospitals for grad-
 24 uate medical education;

1 (iv) policies designed to maintain su-
2 perior research and educational capacities
3 in an increasing competitive health system;

4 (v) the role of medical schools in grad-
5 uate medical education; and

6 (vi) policies designed to expand eligi-
7 bility for graduate medical education pay-
8 ments to institutions other than teaching
9 hospitals;

10 (B) develop recommendations, including
11 the use of demonstration projects, on the mat-
12 ters studied under subparagraph (A) in con-
13 sultation with the Secretary of Health and
14 Human Services and the entities described in
15 paragraph (2);

16 (C) not later than January 1998, submit
17 an interim report to the Committee on Finance
18 of the Senate, the Committee on Ways and
19 Means of the House of Representatives, and the
20 Secretary of Health and Human Services; and

21 (D) not later than January 2000, submit
22 a final report to the Committee on Finance of
23 the Senate, the Committee on Ways and Means
24 of the House of Representatives, and the Sec-
25 retary of Health and Human Services.

1 (2) ENTITIES DESCRIBED.—The entities de-
2 scribed in this paragraph are—

3 (A) other advisory groups, including the
4 Council on Graduate Medical Education, the
5 Prospective Payment Assessment Commission,
6 and the Physician Payment Review Commis-
7 sion;

8 (B) interested parties, including the Asso-
9 ciation of American Medical Colleges, the Asso-
10 ciation of Academic Health Centers, and the
11 American Medical Association;

12 (C) health care insurers, including man-
13 aged care entities; and

14 (D) other entities as determined by the
15 Secretary of Health and Human Services.

16 (c) NUMBER AND APPOINTMENT.—The membership
17 of the Advisory Commission shall include 9 individuals
18 who are appointed to the Advisory Commission from
19 among individuals who are not officers or employees of
20 the United States. Such individuals shall be appointed by
21 the Secretary of Health and Human Services, and shall
22 include individuals from each of the following categories:

23 (1) Physicians who are faculty members of
24 medical schools.

25 (2) Officers or employees of teaching hospitals.

1 (3) Officers or employees of health plans.

2 (4) Such other individuals as the Secretary de-
3 termines to be appropriate.

4 (d) TERMS.—

5 (1) IN GENERAL.—Except as provided in para-
6 graph (2), members of the Advisory Commission
7 shall serve for the lesser of the life of the Advisory
8 Commission, or 4 years.

9 (2) SERVICE BEYOND TERM.—A member of the
10 Advisory Commission may continue to serve after
11 the expiration of the term of the member until a
12 successor is appointed.

13 (e) VACANCIES.—If a member of the Advisory Com-
14 mission does not serve the full term applicable under sub-
15 section (d), the individual appointed to fill the resulting
16 vacancy shall be appointed for the remainder of the term
17 of the predecessor of the individual.

18 (f) CHAIR.—The Secretary of Health and Human
19 Services shall designate an individual to serve as the Chair
20 of the Advisory Commission.

21 (g) MEETINGS.—The Advisory Commission shall
22 meet not less than once during each 4-month period and
23 shall otherwise meet at the call of the Secretary of Health
24 and Human Services or the Chair.

1 (h) COMPENSATION AND REIMBURSEMENT OF EX-
 2 PENSES.—Members of the Advisory Commission shall re-
 3 ceive compensation for each day (including travel time) en-
 4 gaged in carrying out the duties of the Advisory Commis-
 5 sion. Such compensation may not be in an amount in ex-
 6 cess of the maximum rate of basic pay payable for level
 7 IV of the Executive Schedule under section 5315 of title
 8 5, United States Code.

9 (i) STAFF.—

10 (1) STAFF DIRECTOR.—The Advisory Commis-
 11 sion shall, without regard to the provisions of title
 12 5, United States Code, relating to competitive serv-
 13 ice, appoint a Staff Director who shall be paid at a
 14 rate equivalent to a rate established for the Senior
 15 Executive Service under 5382 of title 5, United
 16 States Code.

17 (2) ADDITIONAL STAFF.—The Secretary of
 18 Health and Human Services shall provide to the Ad-
 19 visory Commission such additional staff, informa-
 20 tion, and other assistance as may be necessary to
 21 carry out the duties of the Advisory Commission.

22 (j) TERMINATION OF THE ADVISORY COMMISSION.—
 23 The Advisory Commission shall terminate 90 days after
 24 the date on which the Advisory Commission submits its
 25 final report under subsection (b)(1)(D).

1 (k) AUTHORIZATION OF APPROPRIATIONS.—There
 2 are authorized to be appropriated such sums as may be
 3 necessary to carry out the purposes of this section.

4 **SEC. 7. DEMONSTRATION PROJECTS.**

5 (a) ESTABLISHMENT.—The Secretary of Health and
 6 Human Services (in this section referred to as the “Sec-
 7 retary”) shall establish, by regulation, guidelines for the
 8 establishment and operation of demonstration projects
 9 which the Medical Education Advisory Commission rec-
 10 ommends under subsection (b)(1)(B) of section 6.

11 (b) FUNDING.—

12 (1) IN GENERAL.—For any fiscal year after
 13 1996, amounts in the Medical Education Trust
 14 Fund under title XXI of the Social Security Act
 15 shall be available for use by the Secretary in the es-
 16 tablishment and operation of demonstration projects
 17 described in subsection (a).

18 (2) FUNDS AVAILABLE.—

19 (A) LIMITATION.—Not more than $\frac{1}{10}$ of 1
 20 percent of the funds in such trust fund shall be
 21 available for the purposes of paragraph (1).

22 (B) ALLOCATION.—Amounts under para-
 23 graph (1) shall be paid from the accounts es-
 24 tablished under paragraphs (2) through (5) of
 25 section 2101(a) of the Social Security Act, in

1 the same proportion as the amounts transferred
2 to such accounts bears to the total of amounts
3 transferred to all 4 such accounts for such fis-
4 cal year.

5 (c) LIMITATION.—Nothing in this section shall be
6 construed to authorize any change in the payment meth-
7 odology for teaching hospitals and medical schools estab-
8 lished by this Act.

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